

**TOWNSHIP OF UPPER
BOARD OF EDUCATION**

**AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2011**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page Number</u>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Business Administrator / Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act of 1965, as amended by the Improving of America's Schools Act of 1994	4
Other Special Federal and /or State Projects	4
TPAF Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4
School Food Service Fund	5
Student Body Activities Fund	5
Application for State School Aid	6
Pupil Transportation	6
Facilities and Capital Assets	N/A
Miscellaneous	N/A
Follow up on Prior Year Findings	6
Acknowledgment	6
Schedule of Meal Count Activity	N/A
Schedule of Audited Enrollments	7-9
Excess Surplus Calculation	10-12



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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Township of Upper School District
County of Cape May, New Jersey

We have audited, in accordance with audit standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Upper Township School District in the County of Cape May for the year ended June 30, 2011, and have issued our report there on dated October 31, 2011.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the management of the Upper Township Board of Education, the New Jersey State Department of Education (cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

October 31, 2011

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Laurie Ryan	Board Secretary / School Business Administrator	\$ 10,000.00
Carroll A. Bailey	Treasurer	\$ 250,000.00

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made proper adjustments to the billings to sending districts for the actual per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

Financial Planning, Accounting and Reporting (Continued)

Reserve for Encumbrances, Liability for Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No discrepancies were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.2. As a result of the procedures performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Business Administrator / Board Secretary's Records

The Board Secretary's Records were in satisfactory condition.

Bids received were summarized in the minutes.

Acknowledgement of the Board's receipt of the Board Secretary's and the Treasurer's monthly financial reports were included in the minutes.

Budget appropriations were not greater than realized revenues and Board authorized use of surplus in all funds except for the Debt Service Fund as noted below.

No budgetary line accounts were over-expended during the fiscal year and at June 30.

Purchase orders were charged to the appropriate line accounts in accordance with State prescribed Uniform Minimum Chart of Accounts (2R2), for New Jersey Public Schools.

Treasurer's Records

The Board Treasurer's Records were in satisfactory condition.

All required reconciliations were performed.

All cash receipts were promptly deposited.

The Treasurer's Records were in agreement with the Board Secretary.

Financial Planning, Accounting and Reporting (Continued)

Elementary and Secondary Education Act (E.S.E.A.) / Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. revealed no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on the Schedule A and Schedule B in the CAFR.

Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for Special Federal and/or State Projects revealed no areas of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) is \$36,000 and the law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$17,200.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The results of my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

School Food Service

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

The district utilizes a food service management company and depositing and expending of program monies were in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursement records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures. No exceptions were noted.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted and certified in a timely manner. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. Sites approved to participate in Provisions were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions were noted.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G in the CAFR.

Student Body Activities

During our review of the student activity funds, the records were found to be in satisfactory condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2010 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low income, and bilingual. We also performed a review of the districts procedures related to its completion. The information on the ASSA was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2010-11 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with one exception noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also include a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Follow-Up on Prior Year Findings

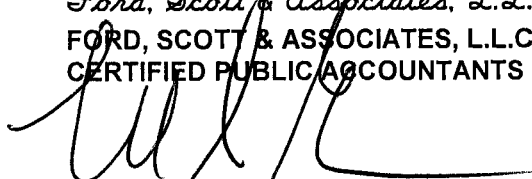
In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

Ford, Scott & Associates, L.L.C.
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CERTIFIED PUBLIC ACCOUNTANTS



Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

October 31, 2011

UPPER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2010

SCHEDULE OF AUDITED ENROLLMENTS

	2011-2012 Application for State School Aid			Sample for Verification			Errors per Register			Private School for Disabled					
	Reported on A.S.S.A. On Roll	Workpapers On Roll	Errors	Selected from Workpapers	Verified per Registers	Full	Shared	Full	Shared	Full	Shared	Reported on A.S.S.A. as Private Schools	Sample Verification	Sample Verified	Sample Errors
Half Day Preschool	30		-	6	6										
Full Day Preschool		120	-	24	24										
Half Day Kindergarten	126		-	25	25										
Full Day Kindergarten	132		-	26	26										
One	142		-	28	28										
Two	133		-	26	26										
Three	148		-	29	29										
Four	160		-	31	31										
Five	124		-	25	25										
Six	174		-	35	35										
Seven			-												
Eight			-												
Nine			-												
Ten			-												
Eleven			-												
Twelve			-												
Post-Graduate			-												
Adult H.S. (15+CR.)			-												
Adult H.S. (1-14 CR.)			-												
Subtotal	1,289	1,289	-	255	255										
Special Ed-Elementary	83	83	-	16	16							2	2	2	
Special Ed-Middle School	60	60	-	12	12							1	1	1	
Special Ed-High School			-									2	2	2	
Subtotal	143	143	-	28	28							5	5	5	
Co. Voc.-Regular			-												
Co. Voc. Ft. Post Sec.			-												
Totals	1,432	1,432	-	283	283							5	5	5	0%
Percentage Error			0%												0%

SCHEDULE OF AUDITED ENROLLMENTS

UPPER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2010

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low income	Reported on Workpapers as LEP low income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool	1	1	-	1	1	-	-	-	-	-	-	-
Full Day Preschool	20	20	-	12	12	-	-	-	-	-	-	-
Half Day Kindergarten	16	16	-	10	10	-	-	-	-	-	-	-
Full Day Kindergarten	21	21	-	13	13	-	1	1	-	1	-	-
One	16	16	-	10	10	-	-	-	-	-	-	-
Two	17	17	-	11	11	-	-	-	-	-	-	-
Three	20	20	-	12	12	-	-	-	-	-	-	-
Four	13	13	-	8	8	-	-	-	-	-	-	-
Five	12	12	-	7	7	-	-	-	-	-	-	-
Six	27	27	-	17	17	-	1	1	-	1	-	-
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	163	163	-	101	101	-	2	2	-	2	-	-
Special Ed-Elementary	20	20	-	12	12	-	-	-	-	-	-	-
Special Ed-Middle School	17	17	-	11	11	-	-	-	-	-	-	-
Special Ed-High School	37	37	-	23	23	-	-	-	-	-	-	-
Subtotal	200	200	-	124	124	-	2	2	-	2	-	-
Co. Voc.-Regular												
Co. Voc-Ft. Post Sec.												
Totals	200	200	0%	124	124	0%	2	2	0%	2	0%	2
Percentage Error												

	Transportation		
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors
Reg.-Public Schools, col. 1	1,660	1,660	-
Reg-SpEd, col. 4	56	56	-
Transported-Non-Public, col.3	84	84	-
Transported-ALL	187	187	-
Special Ed Spec, col. 6	1,987	1,987	-
Totals	2,974	2,974	-
Percentage Error			0%

Reg Avg. (Mileage)= Regular Including Grade PK students (Part A) 7.1
 Reg Avg. (Mileage)= Regular Excluding Grade PK students (Part B) 7.1
 Special Avg. = Special Ed with Special Needs 9.4

SCHEDULE OF AUDITED ENROLLMENTS

UPPER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENTS AS OF OCTOBER 15, 2010

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One	1	1	-	1	1	-
Two	1	1	-	1	1	-
Three	1	1	-	1	1	-
Four						
Five						
Six						
Seven	1	1	-	1	1	-
Eight						
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	5	5	-	5	5	-
Special Ed-Elementary						
Special Ed-Middle School						
Special Ed-High School						
Subtotal	-	-	-	-	-	-
Co. Voc.-Regular						
Co. Voc.Fl. Post Sec.						
Totals	5	5	-	5	5	-
Percentage Error			0%			0%

**TOWNSHIP OF UPPER SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2011**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2010-11 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>33,058,785.62</u>	(B)
Increased by:			
Transfer to Food Service Fund	\$	<u> </u>	(B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$	<u> </u>	(B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u> </u>	(B1c)
Decreased By:			
On-Behalf TPAF Pension & Social Security	\$	<u>1,407,163.21</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u> </u>	(B2b)
Adjustment for Disallowed Expenditures per S1701	\$	<u> </u>	(B2c)
Adjusted 2010-11 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$	<u>31,651,622.41</u>	(B3)
2% of Adjusted 2010-11 General Fund Expenditures [(B3) times .02]	\$	<u>633,032.45</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>633,032.45</u>	(B5)
Increased by: Allowable Adjustment*	\$	<u>14,616.00</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	<u>647,648.45</u>	(M)

**TOWNSHIP OF UPPER SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION 2

Total General Fund - Fund Balances @ 06/30/11 (Per CAFR Budgetary Comparison schedule/statement C-1)	\$ <u>3,380,154.39</u> (C)
Decreased by:	
Year-end Encumbrances	\$ <u>1,001,344.99</u> (C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Legally Restricted-Excess Surplus - Designated for Subsequent Year's Expenditures ***	\$ <u>168,650.00</u> (C3)
Other Restricted Fund Balances ***	\$ <u>1,100,003.00</u> (C4)
Assigned Fund Balance-Unreserved Designated for Subsequent Year's Expenditures	\$ <u>20,350.00</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>1,089,806.40</u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 - \$ 442,157.95 (E)

Recapitulation of Excess Surplus as of June 30, 2011:

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ _____ (C3)
Reserved Excess Surplus ***	\$ <u>442,157.95</u> (E)
Total [(C3) + (E)]	\$ <u><u>442,157.95</u></u> (D)

* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), and Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion Extraordinary Aid and Additional Nonpublic School Transportation Aid.)

Detail of Allowable Adjustment

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ <u>14,616.00</u> (J2)
Total Adjustments [(H)+(I)+(J1) + (J2)]	\$ <u>14,616.00</u> (K)

** This amount represents the June 30, 2010 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amounts must agree to the June 30, 2011 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 10024.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

**TOWNSHIP OF UPPER SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2011**

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Capital outlay for a district with a capital outlay cap waiver	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ 250,003.00
Maintenance reserve	\$ 850,000.00
Emergency reserve	\$ _____
Waiver offset reserve	\$ _____
Tuition reserve	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
 Total Other Restricted Fund Balance	 \$ 1,100,003.00 (C4)



 SIGNATURE OF PUBLIC SCHOOL ACCOUNTANT